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10/8/41

In re: STATE LEASE NO. 340

DATE EXECUTED: February 7, 1936.

BY WHOM: James A. Noe, Governor.

LESSEE: William T. Burton.

CONSIDERATION: \$75,000.00 cash and \$500,000 in oil,
payable out of proceeds of 1/128th.

NUMBER OF ACRES: Estimated to exceed 500,000 acres.

LOCATION: Parishes of Vermilion, Iberia, St. Mary
and Terrebonne.
(West Cote Blanche Bay).
Marsh Island is excepted from the lease,
as well as that part of Vermilion Bay
lying in Iberia Parish; that part of
Bayou Sale Bay and East Cote Blanche Bay
bounded as follows: On the east and
south by the shore line of St. Mary
Parish, on the north by the north line
of Township 17 South, Range 9 East, and
on the west by a line running due north
from Pt. Chevreuil to the north line of
said Township.

REMARKS, RE BIDS: The bid of W. T. Burton contained no
provision for an overriding royalty or
oil payment but a \$500,000.00 oil payment
out of 1/128 of the first oil produced
was provided for in the lease, as hereto-
fore stated. The Gulf Refining Company
submitted a bid offering \$61,100.00 cash
and a \$1,250,000.00 oil payment payable
out of 1/96. It should be noted in that
connection that, whereas, Burton's cash
bid of \$75,000.00 was higher than the
Gulf's bid of \$61,100.00, the Burton oil
payment of \$500,000.00 does not compare
favorably with the Gulf's bid respecting
an oil payment. The Gulf's bid being

\$1,250,000.00 payable out of 1/96,
whereas Burton's \$500,000.00 oil pay-
ment was payable out of 1/128.

It is also apparent from an examination of the lease that the provision for the \$500,000.00 oil payment by Burton was inserted after the lease had been drawn. It appears in the form of a rider pasted on page 6 of the lease and supplementing paragraph 4 thereof. The conclusion that the oil payment was inserted after the lease was originally drawn finds further support in the fact that the proposed form of lease attached to Burton's bid contained no provision respecting an oil payment or overriding royalty.

- ASSIGNMENTS:
- (1) Under date of February 15, 1936, Burton assigned this lease to The Texas Company for a consideration of \$95,000.00 in cash, \$10,000.00 cash whenever the rental is payable to the lessor and a 1/24 overriding royalty on all gas, oil or other minerals produced. The assignment was approved by Governor Noe on February 18, 1936.
 - (2) Under date of February 18, 1936, Burton assigned to the Win or Lose Corporation an undivided 3/4 of all interest retained by him in his assignment to The Texas Company, and especially 3/4 of the 1/24 overriding royalty reserved. The consideration of this transaction was \$10.00 and other valuable considerations.

REMARKS:

It should be noted that this lease was let February 7, 1936 and assigned to The Texas Company February 15, 1936 and The Texas Company paid \$20,000.00 in cash and a 1/24 overriding royalty in excess of the successful bid. The Texas Company submitted no bid for the lease from the State.

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State Lease No. 340

The conveyance records in the parishes affected by this lease have been examined by the Attorney General's office and the information herein contained was partly obtained from that examination.

REMARKS:

We have no technical report re development on this lease, but we are informed that production has been secured from at least one well and that further operations are now being carried on.

STATE LEASE #340

| | <u>Cash</u> | <u>Annual Rental</u> |
|--|-------------|--------------------------------|
| Bids accepted February 4, 1936 | | |
| Sold to W. T. Burton February 7, 1936 | \$75,000 | \$35,000 37,500 ✓ 7 |
| Sold by W. T. Burton To The Texas Company February 15, 1936 | \$95,000 | |
| Sale approved by Governor on February 18, 1936 | | |

Other Considerations:

Burton to retain 1/24 overriding Royalty. In addition \$10,000 annual rental to run concurrently with State's rental of \$35,000.

\$500,000 oil payment due the State of Louisiana out of 1/128th,

One well to hold 50,000 acres surrounding same. Rental to be perpetual until at least three tracts of 50,000 acres are held by development.

Burton warrants title and that cash consideration mentioned has actually been paid.

All of Burton's 1/24th interest and rentals are eligible to be paid to him or to his agent, The Calcasieu-Marine National Bank of Lake Charles, Louisiana.

Now:

Recent payments by The Texas Company reveal the 1/24th overriding royalty is being paid -- 1/96th to W. T. Burton and 1/32nd to Win or Lose.

Lease shows production first time during quarter ending June 30, 1940.

Called State West Cote Blanche Bay Lease.

RE: State Lease No. 340

This lease was granted by Governor James A. Noe to W. T. Burton on February 7, 1936 and covers some 570,000 acres of State lands in Vermilion, Iberia, St. Mary and Terrebonne Parishes. The cash bonus is \$75,000.00, term is five years and the annual rental is \$37,500.00 to be paid until at least three wells have been commenced. In addition, there is also a provision for a \$500,000.00 oil payment out of 1/128th.

This lease should be checked carefully to see if properly advertised, particularly as to the description of the lands to be leased. The lease was assigned to the Texas Company on February 15, 1936 and the assignment approved by Governor Noe on February 18, 1936. The consideration for the assignment was \$95,000.00 cash, \$10,000.00 rental annually to be paid under the conditions set out in the lease for rental payments, and a 1/24 overriding royalty over and above the royalty to be paid the lessor on all oil produced.

The bid of W. T. Burton submitted in accordance with the advertisements contained no provision for an overriding royalty, but several other bids which were later rejected did provide for such a royalty, the highest one being that of the Gulf Company, which offered a \$1,250,000.00 overriding royalty, payable out of 1/96. None of the bonuses offered, however, were as high as Burton's - that of the Gulf Company being next and amounting to the sum of \$61,100.00 with a rental of \$30,550.00. An examination of the lease plainly shows that the provision calling for the overriding royalty was inserted in the lease after the lease had been originally drawn. It is a rider pasted onto page 6 of the lease in paragraph 4. Mr. Burton submitted with his offer a copy of a form lease which he proposed to execute. This form lease is apparently identical with the lease finally executed, except that the overriding royalty provision was added to the lease as finally executed.

The main point to be considered, therefore, is whether or not the lease was granted to the person submitting the most advantageous bid as required by law.

Edward J. Gay, Jr.

*See map by Burrows -
Carroll - Director of Geology
- connected
- which shows the lease exception to
lease the same to the #334
all rights - granted to it.
and State of Texas*

MEMORANDUM RE STATE LEASE NO. 340.

Lease dated February 7th, 1936, from State of Louisiana to William T. Burton, said lease covers the following described property situated in the Parishes of Vermillion, Iberia, St. Mary and Terrebonne:

"All of the property now or formerly constituting the beds and other bottoms of lagoons, lakes, gulfs, bays, coves, sounds, inlets and other water bodies, and also all islands and other lands belonging to the State of Louisiana and not under lease from the State on the date of application, namely, Jan. 8th, 1936, and being situated or included within the following described boundaries:

Beginning on the mean high water line at the most westerly tip of Terrebonne Parish, La., known as Pointe au Fer, and running along said mean high water line as it follows the shores of Atchafalaya Bay, Four League Bay, East Bay, Morrison's Cut-off, Bayou Sale Bay, East Cote Blanche Bay, West Cote Blanche Bay, Jaws or Little Bay, Vermilion Bay, Weeks Bay, and of all lagoons, lakes, bays, coves, sounds, inlets, and other water bodies adjoining or forming arms of said named bays, excluding, however, all rivers, creeks, streams or bayous tributary thereto, said mean high water line, with the exception of that part bordering Four League Bay or arms thereof, following the shores of Terrebonne, St. Mary, Iberia, and Vermillion Parishes, to the most eastern point on that promontory of land forming the west side of Southwest Pass; thence in a general westerly direction along the shore of the Gulf of Mexico to the dividing line between Cameron and Vermillion Parishes; thence south along said dividing line into the marginal or maritime belt of the Gulf of Mexico to the extreme limit or boundary of the domain, territory, and sovereignty of the State of Louisiana; thence easterly along said limit or boundary to a point due south of place of beginning; thence north to place of beginning, including in particular the beds and bottoms of Vermilion Bay, Weeks Bay, West Cote Blanche Bay, Jaws or Little Bay, East Cote Blanche Bay, Bayou Sale Bay, Morrison's Cut-off, East Bay, Atchafalaya Bay and Four League Bay, Southwest Pass and part of the Gulf of Mexico; this particularization, however, not being or intended to be all-inclusive.

LESS AND EXCEPT MARSH ISLAND and the beds and bottoms underlying the following three described tracts;

Tract #1/ That part of Vermilion Bay lying in the N $\frac{1}{2}$ of T. 15 S., R. 3 E., La. Mer.
Tract #2/ That part of Vermilion Bay lying in Iberia Parish.
Tract #3/ That part of Bayou Sale Bay and East Cote Blanche Bay bounded as follows:

'On the east and south by the shore line of St. Mary Parish, on the north by the north line of Township 17 South - Range 9 East, Louisiana Meridian, and on the west by a line running due north from Pt. Chevreuil to the north line of said township'.

All of the above described property lying within the Parishes of Vermillion, Iberia, St. Mary, and Terrebonne, State of Louisiana."

LEASE NO. 340.

TERREBONNE PARISH

State of Louisiana to Wm. T. Burton - Lease.

Original lease not on file; only photostat with certificate of identity with original stated to be on file in Iberia Parish. Photostat is identical with our file copy.

RECORDED: C. O. B. 108, Folio 304, Entry No. 20,681.

DATE OF RECORDATION: March 26th, 1936.

Wm. T. Burton to The Texas Company - Assignment.

DATE: February 15th, 1936.

RECORDED: C. O. B. 108, Folio 308, Entry No. 20,682.

DATE OF RECORDATION: March 26th, 1936.

DESCRIPTION: Same as in Lease No. 340.

INTEREST CONVEYED: All assignor's interest in and to Lease No. 340, subject to override set out below.

CONSIDERATION: \$95,000.00 cash and further as follows:

1. \$10,000.00 cash whenever rental is paid to lessor.
2. 1/24 overriding royalty on all oil, gas or other minerals produced.

Assignment approved by Governor Noe on February 18th, 1936.

Original assignment not on file; only photostat with certificate of identity original stated to be on file in Iberia Parish.

Acknowledged by Burton before W. W. Thompson, Notary Public, for Calcasieu Parish, La., on February 15th, 1936.

Acknowledged by R. C. Stewart for Texas Company before R. H. Ferguson, Notary Public for Caddo Parish, La., on February 15th, 1936.

W. T. Burton to Win or Lose Corporation - Assignment.

DATE: February 18th, 1936.

RECORDED: C. O. B. 126, Folio 68, Entry No. 40,155.

DATE OF RECORDATION: May 20th, 1940.

DESCRIPTION: Same as in Lease No. 340.

INTEREST CONVEYED: Undivided 3/4 of all interests retained by

#2.

assignor in assignment to Texas Company dated February 15th, 1936, especially 3/4 of the 1/24 overriding royalty reserved.

Also if Texas Company reassigns any of said lease to Burton, Win or Lose Corporation shall own 3/4 of whatever interest is reassigned upon paying to Burton 3/4 of whatever price he pays for said reassignment.

CONSIDERATION: \$10.00 and other valuable considerations.

Original not on file; only carbon copy purporting to be signed by Seymour Weiss representing Win or Lose Corporation as Vice-President. Certificate of identity with original stated to be on file in Iberia Parish.

Acknowledged by Burton before Gladys P. McGuffey, Notary Public for East Baton Rouge Parish, La., on February 18th, 1936.

Acknowledged by Weiss for Win or Lose Corporation before Charles J. Rivet, Notary Public for Orleans Parish, La., on April 18th, 1936.

IBERIA PARISH.

State of Louisiana to Wm. T. Burton - Lease.

Carbon copy signed in original on file in this parish.

Same is identical with our file copy.

RECORDED: C. O. B. 126, Folio 185, Entry No. 49,234.

DATE OF RECORDATION: March 17th, 1936.

Oil payment provision is a rider pasted on to original lease - not initialed or signed.

Wm. T. Burton to The Texas Company - Assignment.

DATE: February 15th, 1936.

RECORDED: C. O. B. 126, Folio 188, Entry No. 49,235.

DATE OF RECORDATION: March 17th, 1936.

Identically same comments as in respect to corresponding instrument in Terrebonne Parish - Except:

Carbon copy signed in original is on file in this parish.

#3.

Wm. T. Burton to Win or Lose Corporation - Assignment.

DATE: February 18th, 1936.

RECORDED: C. O. B. 142, Folio 328, Entry No. 57,834.

DATE OF RECORDATION: May 15th, 1940.

Same identical comments as in respect to corresponding instrument in Terrebonne Parish - Except:

Original not on file; only a copy certified by Clerk of Court of Vermillion Parish as being identical with original on file in his office, Date of certification - May 13th, 1940.

Win or Lose Corporation represented by Seymour Weiss, Vice-President.

Acknowledged by Burton before Gladys P. McGuffey, Notary Public, East Baton Rouge Parish, La.

Acknowledged by Weiss before Charles J. Rivet, Notary Public, Orleans Parish, La.

VERMILLION PARISH

State of Louisiana to Wm. T. Burton - Lease.

Carbon copy signed in original on file in this parish. Same is identical with our file copy.

RECORDED: C. O. B. 124, Folio 615, Entry No. 57,878.

DATE OF RECORDATION: March 17th, 1936.

Oil payment provision is a rider pasted on to original lease - not initialed or signed.

Wm. T. Burton to The Texas Company - Assignment.

DATE: February 15th, 1936.

RECORDED: C. O. B. 126, Folio 115, Entry No. 57,936.

DATE OF RECORDATION: March 21st, 1936.

Identically same comments as in respect to corresponding instrument in Terrebonne Parish, except as to photostatic copy.

Acknowledged by Burton before W. W. Thompson, Notary Public for Calcasieu Parish, La., on February 15th, 1936.

Acknowledged by R. C. Stewart for The Texas Company before R. H. Ferguson, Notary Public for Caddo Parish, La., on February 15th, 1936.

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Original assignment not on file; only photostat with certificate by Clerk of Court of Iberia Parish, dated March 18, 1936 as to identity with original on file in that office.

Wm. T. Burton to Win or Lose Corporation - Assignment.

DATE: February 18th, 1936.

RECORDED: C. O. B. 150, Folio 197, Entry No. 70,877.

DATE OF RECORDATION: May 9th, 1940.

Same identical comments as in respect to corresponding instrument in Terrebonne Parish, except as to whether original, copy or photostat.

This is the original signed instrument.

Win or Lose Corporation represented by Seymour Weiss, Vice-President.

Acknowledged by Burton before Gladys P. McGuffey, Notary Public, for East Baton Rouge Parish, La., on February 18th, 1936.

Acknowledged by Weiss for Win or Lose Corporation before Charles J. Rivet, Notary Public for Orleans Parish, La., on April 18th, 1936.

ST. MARY PARISH.

State of Louisiana to Wm. T. Burton - Lease.

Carbon copy signed in original on file in this parish. Same is identical with our file copy.

RECORDED: C. O. B. 5-F, Folio 387, Entry No. 60,191.

DATE OF RECORDATION: March 17th, 1936.

Oil payment provision is a rider pasted on to original lease - not initialed or signed.

Wm. T. Burton to The Texas Company - Assignment.

DATE: February 15th, 1936.

RECORDED: C. O. B. 5-F, Folio 416, Entry No. 60,211.

DATE OF RECORDATION: March 23rd, 1936.

Identically same comments as in respect to corresponding instrument in Terrebonne Parish, except as to whether original, copy of photostat.

#5.

Acknowledged by Burton before W. W. Thompson, Notary Public for Calcasieu Parish, La., on February 15th, 1936.

Acknowledged by R. C. Stewart for Texas Company before R. H. Ferguson, Notary Public for Caddo Parish, La., on February 15th, 1936.

Original instrument not on file; only photostat with certificate of Clerk of Court of Iberia Parish, dated March 18th, 1936 as to identity with original on file in that office.

Wm. T. Burton to Win or Lose Corporation - Assignment.

DATE: February 18th, 1936.

RECORDED: C. O. B. 5-V, Folio 544, Entry No. 66,130.

DATE OF RECORDATION: May 17th, 1940.

Same identical comments as in respect to corresponding instrument in Terrebonne Parish, except as to whether original, copy or photostat.

Original not on file; only a copy certified by Clerk of Court of Vermillion Parish as being identical with original on file in his office. Date of Certification - May 13th, 1940.

Win or Lose Corporation represented by Seymour Weiss, Vice-President.

Acknowledged by Burton before Gladys P. McGuffey, Notary Public for East Baton Rouge Parish, La., on February 18th, 1936.

Acknowledged by Weiss for Win or Lose Corporation before Charles J. Rivet, Notary Public for Orleans Parish, La., on April 18th, 1940.